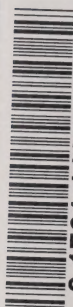


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Canada. Parliament. House of Commons.
Standing Committee on External
Affairs and National Defence.

Submission on Foreign Policy
for Canadians.



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THE CANADIAN CHAMBER OF COMMERCE



SUBMISSION ON

FOREIGN POLICY FOR CANADIANS

FEBRUARY 1971

Canada, Parliament,
House of Commons, Standing
Committee on External
Affairs and National Defence
[Submissions]

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SUBMISSION ON

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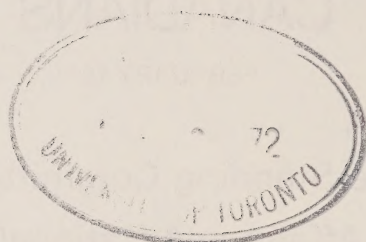
to the Standing Committee on
External Affairs and National Defence

by the

Executive Council

of

THE CANADIAN CHAMBER OF COMMERCE



PREFACE

The Executive Council of The Canadian Chamber of Commerce welcomes this opportunity to present to the Standing Committee on External Affairs and National Defence its views on the document "Foreign Policy For Canadians" presented by the Honourable Mitchell Sharp, Secretary of State for External Affairs.

This submission is presented in the name of, and on behalf of, the Executive Council of The Canadian Chamber of Commerce which acts during the interim between the meetings of the National Board of Directors. The following views are based on, and derived from, the Statement of Policy of the Chamber.

The Canadian Chamber of Commerce is the national voluntary federation of some 800 autonomous Boards of Trade and Chambers of Commerce (the terms are synonymous) in communities throughout Canada.

These community Boards of Trade and Chambers of Commerce exist to promote civic, commercial, industrial and agricultural progress in the areas in which they operate and to promote good government at all levels. Seventy per cent of them serve communities of less than 5,000 population. In addition, the Chamber has some 2,700 corporation members comprising businesses of all sizes, all types of enterprise engaged in production, marketing and service, and in all parts of Canada as well as twenty-nine national business and professional association members.

The Canadian Government is to be congratulated for developing and publishing "Foreign Policy for Canadians" and ancillary booklets in the field of foreign affairs. Moreover, they are to be commended for the realistic view that has been taken in the booklets, and for the plain language used. The style of the documents as well as their contents will, we believe, draw a responsive audience. We stress, as does the booklet (p. 32) that changing events and the dynamism of history calls for flexibility in applying principles to policy.

INTRODUCTION

The By-Laws of The Canadian Chamber of Commerce set out among the objects of the Chamber the following: "to encourage commercial and social relations with foreign countries and to promote international amity". This object is repeated among the General Aims of the Chamber which appear at the front of the Statement of Policy 1970/1971.

The Chamber also has adopted Statements of Policy on International Relations and International Trade Relations which are set out as Appendix "A".

The introductory statement under International Relations which relates to the document "Foreign Policy for Canadians" sets out the following principles which should guide the conduct of our international relations:

- (a) Each country must respect the sovereignty, territorial integrity and political independence of other countries.
- (b) Each nation should avoid efforts, real or apprehended to extend its law into the territory of another, and each should respect the other's exercise of its sovereign authority in legislation and the functioning of its judicial and economic systems.
- (c) Citizens of all countries should, individually and collectively, seek to develop greater mutual understanding and communication. To this end, cultural exchanges, goodwill visits, participation in international conferences and other opportunities to exchange views and ideas should be exploited.

COMMENTARY ON POLICY THEMES

Generally speaking, the Executive Council is in accord with the main policy themes which are the principal ingredients of Canadian Foreign Policy. We accept the view that Foreign Policy is the extension abroad of National Policy. Our views on the policy themes are as follows:

A. *Fostering Economic Growth*

It is our view that it is essential that the economic policies of Governments contribute to the achievement of a high rate of economic growth, maximum employment and relatively stable prices in order to promote rising standards of living for all Canadians. It was for this reason that we submitted to the Parliamentary Committees holding hearings on Tax Reform that the nation's first economic objective is prosperity for all Canadians. This can be achieved only through the generation of the maximum amount of wealth. We are glad to see that the Government shares our point of view concerning objectives (page 32, "Foreign Policy For Canadians").

International economic policies are support policies for domestic economic policies and should be developed for this support role against the background of an open economy, including trade policies, policies directed to foreign investment in Canada, exchange policy, international aspects of fiscal policy e.g. the negotiation of tax treaties with foreign countries. These policies deal with complex and dynamic issues and developments and great care must be taken in their conception and application that they do not work at cross purposes.

From the solid development of Economic Growth, can come advances in social justice, the quality of life and a harmonious natural environment. As we said in June 1970 in our submission on Poverty to the Senate Committee on Poverty—"Growth alone may not cure poverty, but poverty will most certainly not be cured without buoyant sustained growth. Distributed poverty may provide equality, but new growth must be produced and distributed if poverty is to be eliminated." The economy then is the engine for improving the lot of our people and for throwing up sufficient tax revenues for the support of our disadvantaged groups, for education and the support of cultural pursuits and for remedial action against such matters as pollution. Care must be taken that outlays in these areas are related to our economic advance, that amid many competing claims, priorities are established and that overall balance is maintained between economic resources and social demands.

1. Canadian Businessmen's Contacts with Foreign Counterparts

At page 35 of Foreign Policy for Canadians is the important statement "Of necessity too, if Canada's external economic policies are to be fully successful, there must be closer contact between Canadian citizens—businessmen in particular—operating abroad and all departments and agencies in the foreign field, so that there may be a full awareness by both sides of all the possibilities for promoting—most effectively and economically—essential Canadian interests in countries and areas concerned." We consider the foregoing raises a highly significant proposal given the pace of technology and the complexity of current issues. We fully concur with the proposal and suggest that even fuller consultation take place between government personnel and businessmen. The businessman does not expect that every consultation will result in agreement but he does believe that business expertise should be tapped.

One of the situations where Canadian Chamber representatives operate abroad is in their contacts with foreign counterparts. A capsule description of these contacts follow:—

(a) Canadian Council, International Chamber of Commerce

The Council for which the Canadian Chamber is providing management services put Canadian businessmen in touch with international thinking on business practices and policies. These views in turn are placed before major intergovernmental organizations. It is interesting to note that the I.C.C. has a Committee with the heads of U.N. economic organizations. This Committee prompts us to submit that consideration be given by Government to the formation of Advisory Committees from the business community which would be involved in relations with intergovernmental organizations.

(b) Canada-United States Committee

The Committee which meets semi-annually held last fall its 76th meeting. The membership is composed of representatives from the Canadian Chamber and The Chamber of Commerce

of the United States. Matters of mutual interest are discussed and representations are made to the respective Governments on agreed positions. Here too, we feel that advisory views could be sought from the Canadian positions developed at these meetings which could be used in connection with Ministerial Meetings or Meetings of Officials.

(c) Canadian Committee, Pacific Basin Economic Co-Operation Council

The Foreign Policy for Canadians singles out the Pacific Basin Countries for prime attention and there is reference to the important role being played by the Pacific Basin Economic Co-Operation Council. Through this organization formed four years ago (representing businesses in Japan, Australia, New Zealand, United States and Canada), the Canadian Chamber jointly with the Canadian Manufacturers' Association spearheads the means by which Canadian businessmen can maintain the close contacts required for participation in the dynamic future of the Pacific area.

Canada plays host to the next general meeting of the Pacific Basin Economic Co-Operation Council in Vancouver, May 11-14, 1971.

(d) Canada-Japan Businessmen's Conference

Since 1962, jointly with the Canadian Manufacturers' Association, the Canadian Chamber has been meeting every two years with representatives of Japan's leading business organization to improve trade and economic relationships.

The 5th Canada-Japan Businessmen's Conference was held in Tokyo, May 13-15, 1970. Among the topics discussed were Canada-Japan trade, foreign investment policies, and government and private business relations.

(e) Federation of Commonwealth Chambers of Commerce

This Federation, operative for a number of years, provides an opportunity to exchange views and adopt joint policies which are then conveyed to the respective Governments. At the latest meeting, it was agreed that there was a continuing need to assist Chambers in developing countries.

(f) Canada-United Kingdom Committee

This bilateral business committee, organized twenty years ago, meets annually under the auspices of the Chamber movement in both countries. The next meeting will be held in Canada this fall. The Committee provides a valuable forum for dealing with economic and trade relationships between Canada and Britain. Both sides recognize the importance of maintaining the strong tradition of trade and friendship between Britain and Canada for the future benefit of both countries. Canadian businessmen are watching with interest the course of British negotiations to get into the Common Market, knowing that our trade in the initial stages can be adversely affected through loss of preferences. Canadian businessmen have stressed to their opposite numbers, their hope that if Britain does get in, she will use her influence to liberalize trade that will eventually be to our advantage in a wider market.

(g) Canada-Caribbean Committee

Because of Canada's special relationship with the West Indies, the Canadian Chamber carries on continuing liaison with the Chamber movement in the Caribbean. A joint business committee under the auspices of the Chamber movement is concerned with maximizing the volume of trade, travel and investment and communication between Canada and the Caribbean. Emphasis is placed on preserving and strengthening the traditional trade and business relationships.

The 1970 report of the Senate's Standing Committee on Foreign Affairs on Canada-Caribbean Relations and Senator Paul Martin's mission to the Caribbean last fall have focussed renewed Canadian interest in the Caribbean. The Canadian Chamber is aware of some of the unfavourable attitudes toward Canada which have developed and is interested in working through the Caribbean business community to improve relations. Plans are now underway to hold the next meeting of the Canada-Caribbean committee in Canada this fall.

(h) The Canadian Business and Industry Advisory Committee

The Canadian Business and Industry Advisory Committee for O.E.C.D. comprises representation from the Canadian Manufacturers' Association, the Canadian Council of the International Chamber of Commerce and The Canadian Chamber of Commerce.

The Canadian business community is appreciative of the fact that C.B.I.A.C. exists and that it provides a pipeline into government for the transmission of business attitudes and policies in matters that are before Governments. C.B.I.A.C. arranges Canadian participation in international missions and seminars dealing with problems of manpower and social affairs.

(i) Canadian Employer Attendance at the I.L.O.

The Canadian Chamber has provided a member of the Canadian employer delegation attending annual International Labour Organization Conferences. At these Conferences where upwards of 120 nations attend, pre-conference consultation takes place as well as during the Conference itself. We know from experience that the Governmental Departments welcome these exchanges and the employers welcome the opportunity to be consulted as well as briefed. We are of the view that these arrangements make for a better Canadian stance and enhance Canada's position at an important international Conference.

The Executive Council believes that the recital of the foregoing structures demonstrates that the business community is in a favourable position to make an input to government postures in conducting foreign affairs and by its meeting with counterparts contributes considerably to the climate of Canadian acceptance in foreign locations. We should like to record with gratitude the considerable help afforded Canadian delegations in connection with the foregoing meetings by Ministers and Officials from Government especially the Depts. of Industry, Trade & Commerce, Finance, External Affairs and Labour.

It will be noted that in some of the foregoing meetings particularly those relating to C.B.I.A.C. and the I.L.O., there is a formal consultative procedure. We would suggest that this might be carried out with respect to the other meetings "so that there may be full awareness by both sides of all the possibilities for promoting most effectively and economically essential Canadian interests in countries and areas concerned". (page 35, "Foreign Policy for Canadians").

B. Safeguarding Sovereignty and Independence

We are in accord with the treatment accorded this theme at page 15, "Foreign Policy For Canadians." We would advert to the paragraph (a) and (b) that appears on pages 2 and 3 as a support statement to the views put forward.

The passage and Royal Assent given to the Arctic Waters Pollution Prevention Act and the Territorial Sea and Fishing Zones Act and the setting out of "fisheries closing lines" are a useful assertion of sovereignty and jurisdiction which the Executive Council supports.

C. Working for Peace and Security

The Executive Council commends the Government's intensive review of Canada's foreign policy and for the indication that a new White Paper on Defence is under preparation at this time. We submit that the aims of defence policy should support foreign policy.

The contribution of our armed forces in non-military situations, e.g., peace-time disasters, should not be overlooked. Nor should there be any downgrading of their current role in surveillance, warning and survival measures.

All Canadians are concerned with defence costs. Wasteful and uncontrolled expenditures cannot be accepted. Our defence budget must be a measure of our commitments, external and internal, no more and no less. Arbitrary allocation of defence funds on any other basis is unreasonable and will prove to be wasteful either in the short or the long run, or both.

AMERICAN IMPACT ON CANADA'S ECONOMY

In connection with the foregoing heading, we believe it will be interesting to set out below the Canadian Chamber policy on Foreign Investment in Canada.

Foreign Investment in Canada

283. *Foreign investment is welcomed.*

284. We expect, however, that non-resident owners, governments or their agencies will at all times recognize the fundamental principle underlying Canadian sovereignty and interests, as it pertains to companies non-resident-owned in whole or in part.

285. Recommendations:

1. *that the Government of Canada remain on the alert to ensure that the operations of non-resident-owned companies are not incompatible with the best interests of Canada.*
2. *that non-resident-owned businesses, and their parent companies, recognizing that good corporate citizenship is an essential element of good management and successful operations, be urged to consider and adopt the following precepts for successful business operations in Canada:*
 - (a) *pursuit of sound growth and realization of the company's productive potential within the industry, thereby sharing in national objectives of full and effective use of Canada's resources;*
 - (b) *realization of maximum competitiveness through the most effective use of the company's own resources, recognizing the desirability of progressively achieving appropriate specialization of productive operations within the international affiliated group of companies;*

- (c) *maximum development of export opportunities;*
- (d) *where applicable, to extend local processing of natural resource products to the extent practicable on an economic basis;*
- (e) *pursuit of a pricing and purchasing policy designed to achieve an arms-length relationship between parent and subsidiary companies;*
- (f) *insofar as is feasible and available, to search out and develop local sources of supply for components and services at competitive prices;*
- (g) *in matters of personnel administration and industrial relations, to conform with the practices and customs of Canada and to develop the skills and technical abilities of local staff and where control of a going concern is acquired, to refrain from disturbing existing personnel relationships more than is necessary;*
- (h) *to develop as an integral part of the local operation wherever practicable the technological research and design capability necessary to enable the company to pursue appropriate product development programs, so as to take full advantage of domestic and export market opportunities;*
- (i) *to work toward a broad outlook within management through purposeful training programs and promotion of qualified local personnel not only within the local organization but also within the international group;*
- (j) *while the program set out in Item (i) above is in process, to select personnel to serve in Canada who have the capacity to adapt to the local environment;*
- (k) *to give management of affiliates and subsidiaries the initial responsibility for developing and recommending operating plans for approval by parent companies and, thereafter, such approved plans should be executed by the responsible subsidiary management;*

- (l) *to encourage and participate in local community affairs and institutions directed toward the intellectual, social and cultural advancement of the community;*
- (m) *to have the objective of a financial structure which, if and when it becomes a public company, will provide the opportunity to the citizens of Canada to secure equity participation and representation on the Board of Directors;*
- (n) *to adhere strictly to the laws and practices of Canada, including the furnishing of financial information and other data;*
- (o) *to encourage their government to contain any extra-territorial governmental effort designed to regulate or restrain the operations of the company in Canada.*

Conclusions adopted by the 22nd Congress of the International Chamber of Commerce (Istanbul, June 1969) recognized Canadian experience with international corporations as basic guidelines for future development of this important business phenomenon.

We note the External Affairs Department is concerned about the sharing of the North American continent with the United States. We believe that economic growth and progress is heavily dependent upon productive capabilities, which, in turn, require high investments in order to achieve the improvements in productivity made possible by adopting the latest technological advances. The full magnitude of these capital needs is illustrated by the figures in the following table. If Canada were to grow at its full potential of 7% per year—which is well within our productive capabilities, given appropriate economic policies—then the need for imported capital rises to \$8.6 billion by 1975. (See appendix “B”)

Canada has the human and material resources necessary to achieve an increase of 7% per annum in gross national product. In fact, if this country's economy were to grow at a 7% rate for the rest of this century, Canadian G.N.P. by the year 2000 would be equal in size to that of the United States for 1963. This is truly a staggering potential. If Canada can achieve this steadily rising level of economic activity the benefits to every individual in Canada will be truly amazing and beneficial in terms of human dignity and quality of life.

TECHNOLOGICAL AND SCIENTIFIC DEVELOPMENTS

Scattered throughout the text of "Foreign Policy for Canadians" are references to the importance of technological and scientific developments not only to Canada's economic advance but also in yielding a rewarding life for Canadians. We underline these references and emphasize that there is the need for industry in Canada to grow more rapidly in size, productivity and profitability and progress rapidly to strong technically-advanced industries which through profitable innovation will provide the high living standards and high quality employment the nation desires. In this connection the importance of a strong and viable patent system should be recognized.

We welcome in this connection Volume I of the Report of the Senate Special Committee on Science Policy and its conclusion that "We must develop a coherent overall science policy so that we can not only meet our economic objectives more effectively but also more realistically face our mounting social problems."

One of our continuing social problems is pollution. The Chamber has taken a deep interest in this subject and believes that it is not only a national problem but a global one. The solution to this problem involves a web of policies that relate to standards, incentives to industry and municipalities, liaison work with the United States and continuing research and development in producing anti-pollution measures at an economic cost. The

input of business thinking concerning such matters as pollution and noise abatement, can make a valuable contribution to the solution of these problems.

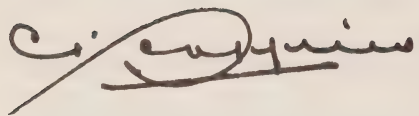
RE-ORGANIZATION OF EXTERNAL AFFAIRS DEPARTMENT AND SUPPORT SERVICES OVERSEAS

We note that as of February 1, 1971, a re-organization took place in the External Affairs Department marking a basic change in the way in which relations with the United States, the Commonwealth and the French-speaking community of nations will be handled. We also note that support services for most federal posts abroad including those of the Immigration Department and those of the Industry, Trade and Commerce Department will be integrated April 1st under the External Affairs Department. We are pleased to note this forward step in the Government objective of maximum integration in its foreign operations. We appreciate that an integrated management system cannot be established immediately or easily. Nevertheless, we would encourage Government, through its new Committee on External Relations at the Deputy Minister level, to proceed along these lines as rapidly as possible.

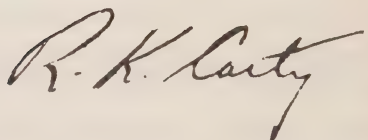
CONCLUSION

In these days of rapid communication and transportation, what used to be foreign affairs, can become swiftly and joltingly, domestic affairs. Conversely, domestic happenings have a habit of intruding on the foreign scene. In such a situation, it is important that Canada shore up its domestic policies because foreign policy is the extension abroad of national policy. "Foreign Policy for Canadians" is a commendable attempt to articulate how domestic policy and foreign policy are intertwined, within a framework of realism and updated organization as we proceed through the next decade. Businessmen, be they travellers or traders, have a key role to play in the practice of foreign affairs.

The foregoing comments and judgements by the Executive Council are an attempt to refine this practice and to enlarge the role of the Canadian business community in regard thereto.



.....
C. H. Scoffield,
General Manager



.....
R. K. Carty,
Chairman Executive Council

APPENDIX “A”

International Relations

International Relations

226. *The objective of Canada’s international relations policies should be the promotion of world harmony and development, and Canada should continue to exercise active leadership in international affairs. To this end, it is essential that Canada recognize, and impress upon the developed countries, the urgent necessity to supplement and improve aid programs to underdeveloped countries. The following principles should guide the conduct of our international relations:*

- a) *Each country must respect the sovereignty territorial integrity and political independence of other countries.*
- b) *Each nation should avoid efforts, real or apprehended to extend its*

law into the territory of another, and each should respect the other's exercise of its sovereign authority in legislation and the functioning of its judicial and economic systems.

- c) *Citizens of all countries should, individually and collectively, seek to develop greater mutual understanding and communication. To this end, cultural exchanges, goodwill visits, participation in international conferences and other opportunities to exchange views and ideas should be exploited.*

United Nations

227. In order to reduce warfare; as a means of settling disputes; to make greater progress towards a just world society; to slow down the perilous arms race; and to organize a global assault on pollution, Canada should pledge to work for even greater support of the United Nations and its associated agencies, and for the development of more effective international law.

Relations with the United States

228. Every effort should be made to continue a high level of co-operation between Canada and the United States, and careful attention should be given to the following specific proposals:

- (1) that, in advance of decisions taken on emerging problems, there be early consultation between the governments of the two countries, thus providing for the fullest consideration of each other's views and improving the chances of resolving difficulties.
- (2) that the International Joint Commission, which has been a highly successful vehicle for dealing with Canada-United States problems, should have more issues of mutual concern referred to it using the already established system or methods provided for under the existing treaty.
- (3) that each country should have clearly in mind its balance of payments with the other, so that the impact on the other of any corrective action which may be needed is recognized; each country should keep the other fully informed of developments in its balance of payments and the underlying reasons for them.

Relations with the EEC and EFTA Countries

229. Relations of Canada with the countries of the European Economic Community and of the European Free Trade Association should continue

to be cultivated assiduously to the mutual advantage of these associations and Canada. Reasons of defence, cultural exchanges and mutual prosperity argue for these relationships, and Canada should be alert to seize all opportunities in this connection.

Relations with French-Speaking Countries

230. As a bilingual country, Canada and its business community would benefit from being better known in, and maintaining close and more effective communication with, other countries in which French is a commonly used language.

Relations with Pacific Basin Countries

231. With a large proportion of the world's population and of the world's total GNP, the countries of the Pacific area are forming an increasingly important economic group, comprising some of the fastest developing countries in the world and many less developed countries on the fringe of accelerated expansion. The Pacific Basin represents to Canada an important opportunity for trade and investment by Canadian firms, and as a source of investment funds for Canada. The development of the Pacific will exert an increasingly large influence on Canada's economic development. Canada, in turn, can have a meaningful influence in the Pacific area, to both the developed and developing countries there.

Relations with Latin America

232. There is a developing community of interest between Canada and Latin American countries, and Canada should demonstrate its good will towards the people of this area and our desire for mutual welfare and progress.

233. Recommendations:

1. *that the Federal Government, recognizing the International Joint Commission as a highly successful vehicle for dealing with Canada-United States problems which come within its ambit, should refer more issues to the Commission using the already established system or methods as provided for under the existing treaty.*
2. *that members support and promote actions which will lead to greater mutual understanding between citizens of the two countries; an example of such action would be the*

establishment of university departments devoted to Canadian and United States studies.

3. *that the Federal government continue to take a greater interest in the French-speaking countries by strengthening its diplomatic and information services therein.*
4. *that government support be given to initiatives likely to promote a climate of closer relations and co-operation between Canadian businessmen and those of other French-speaking countries.*
5. *that Canadian businessmen actively participate in trade and developments in the Pacific countries and through such organizations as the Pacific Basin Economic Co-operation Council develop and increase mutual business relations and exchange of information.*
6. *that the Federal Government continue to foster and enhance its relationship with the other countries of the Pacific Basin.*
7. *that a continuing interest by the Federal Government be taken in Latin America by continuing participation in the Inter-American Development Bank, by considering further strengthening Canada's diplomatic representation in Latin America and by further effective steps to develop relationships with Latin American countries.*
8. *that the Chamber participate actively in studies and discussions among those who are working to develop greater economic strength in the hemisphere and, especially, to assist in overcoming the urgent problems facing Latin America.*
9. *that the Federal Government continue to study the implications and probable consequences of membership in the Organization of American States.*

International Trade Relations

234. Multilateral expansion of trade, with reasonable safeguards against destructive or unfair competition from abroad, is essential to the maintenance of Canada's continued economic growth. Canada's foreign trade policy should have the general aim of furthering the full and effective use of the nation's resources of manpower, raw materials, technological knowledge, production facilities and money. A policy with

this as its aim must be based on a realistic assessment of world competition and be sufficiently flexible to further Canada's interests in the face of new trading patterns and relationships. Our trade policy must take into account the relative importance of agriculture, other primary industries and manufacturing in contributing to the nation's economic strength. Canada's competitive trade position will be strengthened by measures taken to stimulate research and Canadian business must extend its efforts to apply technology as a means of achieving expansion and diversification of our export trade.

235. Contemporary international trade relations, marked by major shifts in trade alignments characterized by the development of large trading blocs, and the emergence of the multi-national corporation as a significant factor, exert a determining influence on the volume and course of world trade. Canada should be in a position to adapt to these changing patterns in order to take advantage of the opportunities presented thereby.

236. While bearing in mind our national interest and security, the Government should continue to work towards overcoming the obstacles to trade with collectivist economies presented by the structural and conceptual differences between economic systems.

237. In the world's trading relationships, exclusive of agriculture, an encouraging trend continues among all nations toward achieving the movement of raw and semi-processed primary materials without tariff restriction. Canadian trade policy should aim toward the further elimination of remaining trade barriers for such materials.

238. There is recognition of the difficult problems presented by such universal protectionist agricultural policies as subsidies, quota controls and other devices aimed at regulating production without regard to cost. Such measures reflect basic socio-economic problems which are beyond the scope of normal trade negotiations and require special consultation by the Canadian Government with other governments.

239. Canadian manufactured products continue to face significant tariff barriers and other restrictions. Canada should not proceed further or faster in setting the example of freer trade between nations on such products than is justified by the actions of the other leading trading nations of the world. The most favourable possible economic climate must be maintained for achieving maximum industrial development so that, by effective use of all Canadian resources, a rising volume of employment and improved living standards may be achieved.

240. The general lowering of tariffs under the "Kennedy Round" carries

with it both increased opportunities for Canadian exports and increased competition from abroad in our domestic markets. To take advantage of the former and to avoid damage from the latter, the whole Canadian economy must continue to strive for stability and efficiency, and continuing efforts to achieve improved productivity in Canadian industry are essential.

241. With a large proportion of our national income involved in international trade, Canada's competitive position is highly vulnerable to the effects of rising costs. Direct and indirect taxation, caused by rising government expenditures, and labour rates must be maintained at reasonable levels in relation to other countries to ensure that goods of Canadian manufacture are fully competitive in domestic and export markets.

242. Negotiations under the General Agreement on Tariffs and Trade have had, and will continue to have, vital consequences on Canadian industrialization and future economic growth. Effective communications between all segments of Canadian business and the Federal Government are of paramount importance. The machinery established for pre-negotiation consultation between business and Government has been welcomed in recent negotiations, but would be more effective if more frequent consultation could occur while the negotiations are in progress as is the practice among other industrialized nations. To exercise effectively the provisions of Article 19 of the GATT relating to emergency action, the government should adopt means of providing greater flexibility in meeting rapidly changing trade situations which, from time to time, adversely affect the country's employment and utilization of industrial facilities.

243. Non-tariff obstacles continue to impede the free flow of goods between countries, and it is incumbent upon governments to strive for the elimination of such obstacles. Canadian business should continue to bring to the attention of the Federal Government cases where non-tariff barriers affect their own international trading position.

244. We endorse the principle of establishing a favourable climate for trade with developing countries. The Canadian Government should continue to contribute to the economic development of countries in need of assistance, the level of such assistance being realistically related to the level of Canada's economic activity.

245. **Recommendations:**

that the Canadian Government:

1. *encourage the development and use of the country's total resources and the acceleration of economically sound industrialization.*
2. *achieve flexibility in trade matters to meet new trading patterns now developing throughout the world.*
3. *extend the machinery for consultation with business during trade negotiations, recognizing the necessity for detailed industry-by-industry analysis as a prerequisite to any revisions in trade arrangements.*
4. *continue its efforts to promote the principles of multilateral trade with reasonable safeguards against destructive or unfair competition from abroad.*
5. *continue its economic support of the developing countries and continue to work towards achieving a greater measure of trade with such countries.*
6. *give early consideration to the further revision and modernization of the Canadian tariff classification structure, with careful attention given to the systems followed by the major trading nations.*
7. *continue to strive for the reduction of non-tariff trade barriers among all countries.*
8. *encourage those multi-national corporations which tend to restrain the export activities of their Canadian subsidiaries to allow or increase exports to markets hitherto restricted.*
9. *create an increasingly favorable environment for research and development considering that export growth is directly related to such activities.*

that Canadian businessmen:

10. *advise Government on the probable effects on their operations of contemplated courses of action in international trade arrangements.*
11. *continue study of foreign markets to develop and expand trade and investment opportunities.*
12. *continue to extend their efforts to apply technology for the purpose of developing products and achieving costs requisite for expansion of the country's export trade.*

**CANADA: CAPITAL REQUIREMENTS AND
DOMESTIC SAVINGS**

(billion current dollars)

	<u>1968</u>	<u>1975 Forecast</u>		
		4%	5.5%	7%
		G.N.P.	G.N.P.	G.N.P.
		<u>growth</u>	<u>growth</u>	<u>growth</u>
DOMESTIC DISPOSITION OF FUNDS				
Business Investment	9.9	20.3	24.4	33.0
Housing	2.8	5.9	6.1	6.3
Inventory Change	<u>.7</u>	<u>1.0</u>	<u>1.5</u>	<u>2.0</u>
Total Domestic Dis- position of Funds	13.4	27.2	32.0	41.3
DOMESTIC SOURCES OF FUNDS				
Personal Savings	4.0	9.8	10.5	11.2
Business Savings				
—undistributed profits	1.5	2.9	3.2	3.6
—capital consumption allowances	7.3	12.4	13.1	13.8
Government Balance				
—pension plans		1.0	1.2	1.4
—all other items	.8	-2.7	-1.2	2.7
Other items	<u>- .3</u>			
Total Sources of Funds	<u>13.3</u>	<u>23.4</u>	<u>26.8</u>	<u>32.7</u>
	-0.1	-3.8	-5.2	-8.6

Source: 1968 D.B.S. 13.001 National Income and Expenditure Accounts, 4th quarter 1968. 1975 Chamber of Commerce studies.

OFFICES OF THE CANADIAN CHAMBER OF COMMERCE AT YOUR SERVICE

NATIONAL OFFICE

Office of the
General Manager
Commerce House,
1080 Beaver Hall Hill
Montreal 128, Que.

BRITISH COLUMBIA OFFICE

717 West Pender Street,
Vancouver 1, B.C.

ALBERTA OFFICE

10201 — 104 Street,
Edmonton, Alta.

SASKATCHEWAN OFFICE

2020 — 11th Avenue,
Regina, Sask.

MANITOBA OFFICE

177 Lombard Ave.,
Winnipeg 2, Man.

ONTARIO OFFICE

* 21 Dundas Square,
Toronto 2, Ont.

* effective June 1/71;
330 University Ave.,
Toronto 1, Ont.

QUEBEC OFFICE

1080 côte du Beaver Hall
Montréal 128, Qué.

ATLANTIC REGION OFFICE

1111 Main Street,
Moncton, N.B.

GOVT PUBNS

